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SUBJECT: UNABLE TO OBTAIN ITS WHEAT NEEDS FROM SYRIA, JORDAN
CONSIDERS PURCHASES FROM KAZAKHSTAN

REF: AMMAN 231

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11. (SBU) The Government of Jordan, represented by the Ministry of Industry and Trade (MOIT), signed an agreement with the Syrian government on September 5 to purchase 50,000 tons of Syrian wheat. This purchase is part of an ambitious January 2007 agreement between the two countries for GOJ purchase of 500,000 tons of Syrian wheat. To date, however, only 250,000 tons of wheat have arrived in Jordan, a result of a poor growing season which forced the Syrian government to cancel many wheat trade commitments with numerous buyers. This shipment is expected to be the last purchase of this season, and appears to have been driven by strong Syrian political will to maintain cooperative relations with Jordan.

12. (U) Jordan is now looking to other wheat sources and examining its purchase options. One potential source is Kazakhstan, with which the GOJ recently signed a memorandum of understanding for wheat purchases. The agreement, signed during King Abdullah's recent trip, accords preferential treatment to the GOJ, including direct purchases from producers and the ability to contract local and international shippers to transport the wheat to Jordan. This arrangement should eliminate the middle-man and cut wheat costs for the JOJ by USD 50/ton. Jordan's second option is to purchase American wheat under the GSM-102 program, although this credit guarantee program would further increase the cost of already expensive wheat, an expense the GOJ may be willing to bear in exchange for a reliable supply of high quality wheat.

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Hale